

RN Salary-1% Medicaid Increase Comparison

Prepared (12/9/08)

Hospital Name	City	RN Salary Increase	1% Increase*	Medicaid Losses (cost)
Alegent Health Mercy Hospital	Council Bluffs	\$676,048.78	\$72,331.41	(\$5,509,173.55)
Allen Health System	Waterloo	\$807,120.00	\$64,186.39	(\$2,716,906.22)
Broadlawns Medical Center	Des Moines	\$213,256.00	\$59,632.01	(\$1,840,313.68)
Covenant Medical Center	Waterloo	\$850,036.46	\$78,058.49	(\$5,210,552.23)
Fort Madison Community Hospital	Fort Madison	\$251,816.00	\$20,029.05	(\$1,614,013.80)
Genesis Medical Center	Davenport	\$1,429,083.00	\$163,199.22	(\$11,322,072.31)
Great River Medical Center	West Burlington	\$629,338.57	\$69,706.84	(\$3,482,581.70)
Grinnell Regional Medical Center	Grinnell	\$93,000.00	\$17,703.36	(\$859,590.98)
Iowa Health- Des Moines (IMMC, Lutheran & Blank)	Des Moines	\$3,100,000.00	\$293,940.93	(\$19,956,039.35)
Jennie Edmundson Hospital	Council Bluffs	\$380,637.00	\$70,707.11	(\$5,755,674.17)
Keokuk Area Hospital	Keokuk	\$119,059.00	\$21,835.64	(\$548,235.00)
Lakes Regional Healthcare	Spirit Lake	\$164,890.00	\$7,883.66	(\$622,012.05)
Marshalltown Medical & Surgical Center	Marshalltown	\$264,771.94	\$35,294.34	(\$2,238,088.13)
Mary Greeley Medical Center	Ames	\$614,866.00	\$42,482.19	(\$3,958,209.94)
Mercy Iowa City	Iowa City	\$667,721.32	\$33,331.10	(\$4,161,614.52)
Mercy Medical Center-Cedar Rapids	Cedar Rapids	\$860,843.00	\$68,430.03	(\$7,686,897.92)
Mercy Medical Center-Clinton	Clinton	\$226,026.00	\$35,265.11	(\$2,837,058.86)
Mercy Medical Center-Des Moines (Mercy & Capitol)	Des Moines	\$1,833,175.00	\$287,640.30	(\$14,035,738.06)
Mercy Medical Center-Dubuque	Dubuque	\$504,799.00	\$30,425.60	(\$1,497,712.90)
Mercy Medical Center-North Iowa	Mason City	\$472,922.00	\$81,608.72	(\$7,666,819.14)
Mercy Medical Center-Sioux City	Sioux City	\$719,396.00	\$96,019.78	(\$2,639,759.85)
Ottumwa Regional Health Center	Ottumwa	\$394,654.00	\$54,203.30	(\$3,029,580.27)
Sartori Memorial Hospital, Inc.	Cedar Falls	\$150,905.51	\$5,320.04	(\$180,804.11)
Skiff Medical Center	Newton	\$141,000.00	\$16,613.67	(\$1,758,766.17)
Spencer Municipal Hospital	Spencer	\$243,109.00	\$23,812.87	(\$1,523,317.24)
St. Anthony Regional Hospital***	Carroll	\$203,658.00	\$12,034.96	(\$1,240,681.70)
St. Luke's Health System, Inc.	Sioux City	\$309,320.00	\$72,532.06	(\$6,587,218.26)
St. Luke's Hospital***	Cedar Rapids	\$1,420,125.00	\$145,254.76	(\$13,349,484.41)
The Finley Hospital**	Dubuque	\$205,856.35	\$30,070.86	(\$1,778,594.23)
The University of Iowa Hospitals and Clinics	Iowa City	\$4,431,269.96	\$783,454.06	(\$34,727,422.87)
Trinity at Terrace Park***	Bettendorf	\$202,234.70	\$27,906.38	(\$2,745,217.34)
Trinity Regional Medical Center***	Fort Dodge	\$718,378.00	\$51,928.02	(\$3,282,716.36)
Unity HealthCare	Muscatine	\$110,000.00	\$25,566.57	(\$1,279,834.87)
Totals:		\$23,409,315.59	\$2,898,408.83	(\$177,642,702.19)

*Based on FY08 total payments Iowa Medicaid Enterprise (IME) PS&R data

**This is the market adjustment in addition to the 3% merit increase effective June 2008 pursuant to the collective bargaining agreement

***2008 data because 2009 wage increases not yet finalized



May 19, 2008

**Analysis of the FY 2009 Medicaid Provider Payment Increase language from
the FY 2009 Health and Human Services Appropriations Bill (SF 2425)**

Background

As the discussion turned toward the Medicaid budget during the 2008 Legislative session, the Legislature, seeing the need to improve Medicaid reimbursements to health care providers, introduced legislation containing a one percent Medicaid provider payment increase.

However, original language in the bill contained a section regarding hospitals that would have exempted The Finley Hospital in Dubuque from receiving this increase due to labor disputes and other issues over the past year.

This provision was unacceptable and required IHA to negotiate with legislators in an effort to remove this provision and instead provide an equitable Medicaid payment increase to all hospitals. In addition, to the issue of equitable payment, IHA was also working to establish the principle of the need to fund hospital rebasing for Medicaid.

In exchange for removing the exemption placed on The Finley Hospital, IHA agreed to language that requires hospitals to submit a report to the Iowa Department of Human Services (DHS) demonstrating that the one percent Medicaid increase will be used by hospitals to support increases in nurse salaries. IHA agreed to this provision because historically hospital nurse salary increases have far outpaced any Medicaid payment increases over the past decade.

The express intent of this language versus its interpretation has been grossly misrepresented and further politicized by organized labor and the media.

Actual Language in Senate File 2425

Page 52 Line 35 and Page 53 Lines 1-8 of Senate File 2425 read:

“Hospitals paid under the prospective payment system methodology under the medical assistance [Medicaid] program **shall report to the department the total amount of nurse salary increases compared to the total amount of the medical assistance payment increase for the fiscal year beginning July 1, 2008.** Nurse salary information shall only include information for registered nurses who are permanent employees, eligible for benefits, and who provide direct care to patients. Reports submitted shall be a public record.”

What this language is:

This language requires that Iowa's Prospective Payment System (PPS) hospitals provide DHS a comparison of FY 2009 permanently employed, registered hospital nurse salary increases versus the one percent Medicaid provider payment increase. This language is merely a **reporting requirement** demonstrating the relationship between the Medicaid provider payment increase and increases in nurse salaries.

Because the increase takes federal approval and because this year's Medicaid data won't be available for several months, hospitals won't even be able to estimate the individual amount of a one percent FY 2009 increase on their individual facility until later this fall.

The total amount of a one percent Medicaid payment increase is estimated to be about \$4.5 million when both state and federal dollars are included. By comparison, Iowa hospitals increased nurse salaries by four percent in 2007, at a total hospital industry cost of \$26 million.

What the language is not:

Despite interpretations from other groups and the media, this language does **not** provide a guaranteed one percent raise above and beyond regularly budgeted annual increases nor is this considered a bonus to "provide a few hundred extra dollars per year for many nurses," as reported in some media outlets.

Medicaid comprises approximately 10 percent of statewide hospital revenue; therefore, ***a one percent increase in Medicaid funding equals only a one-tenth percent increase in overall hospital revenue.*** The amount of Medicaid care provided will vary from hospital to hospital. However, there is no direct relationship between Medicaid increases and total salary increases.

There is no requirement that hospitals "bonus" nurse salaries (although any facility may certainly do so if it wishes once the amount of the FY 2009 Medicaid increase can be modeled).

Additionally, because critical access hospitals (CAHs) are reimbursed by Medicaid under a cost-based formula, CAHs are not required by this legislation to report salary information; nor will those hospitals see any direct reimbursement from the one percent increase. ***The provisions of this language do not apply to critical access hospitals.***

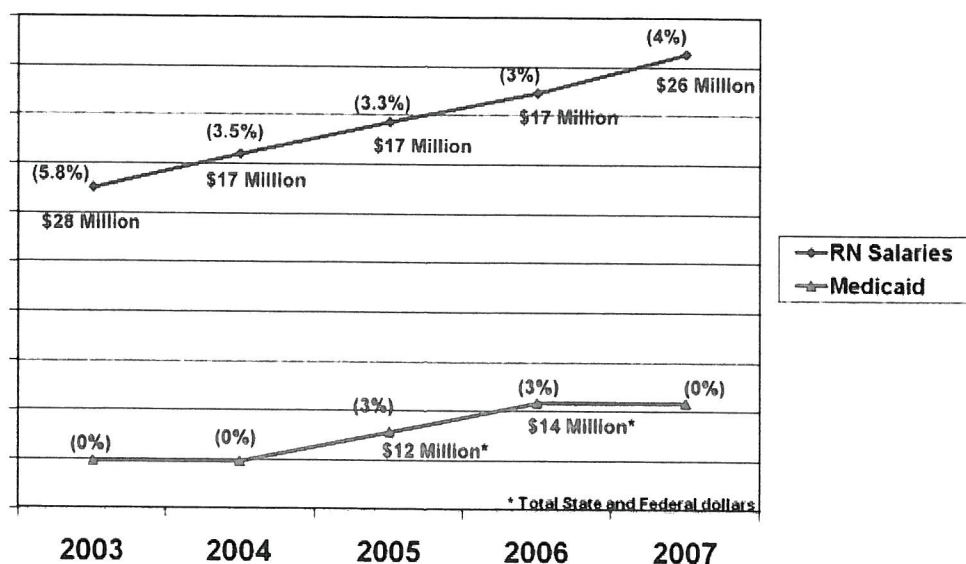
There is also no immediacy to respond to this issue because the one percent increase applies for FY 2009 (July 1, 2008 – June 30, 2009) and hospitals won't even begin receiving Medicaid payment increases until later this year. At that point IHA would envision any relationship between this Medicaid increase and nurse salaries would apply to 2009 salary increases.

IHA will be able to estimate the Medicaid impact on each PPS hospital later this fall and will work with each PPS hospital collecting aggregate RN salary increases for 2009. IHA is confident that ultimately this information will be demonstrative that nurse salary increases historically have exceeded any percentage increase in Medicaid reimbursements.

Affirmative statements made by IHA during the negotiation process:

- Hospitals certainly support increasing nurse salaries due to the national and regional competition for RNs.
- This does not mean that hospitals do not value other hospital employees also in short supply. Salary increases for all hospital employees almost always exceed Medicaid payment increases.
- The language in the bill is a *political response* acknowledging that Iowa nurse salaries are among the lowest in the nation; from a practical perspective it supports a hospital's ability to try to keep salaries competitive (and the action will fall far short of that goal). There will be **no immediate** financial dividends for hospital RNs.
- The impact of a one percent Medicaid increase divided among the number of PPS hospital RNs equals roughly \$390 per nurse or about a five-cent-per-hour increase; past data indicates that hospitals will provide 2009 nurse salary increases far exceeding those numbers.
- Some organizations are making this initiative out to be more than it is, causing hospitals some short-term political problems in explaining how the issue will be dealt with. It is too early to be definitive with nursing staff regarding 2009 salary increases. In the long run, IHA believes this report will highlight the disparity between government health care payments and hospital expenses.

**Comparison of Cumulative Iowa Hospital RN Salary Increases vs.
Medicaid Payments, 2003- 2007**



How to Discuss this Issue with Staff

It's important to be able to explain the political motivation behind this language, but also to realize the original intent of this language. The intent was *not* to provide an automatic or immediate raise for nurses, but to allow hospitals to demonstrate that this year's Medicaid increase will in fact support increased RN salaries. This intent was expressly agreed to and understood by legislative leaders conducting negotiations. In previous years, when hospitals received a Medicaid increase, the funding was not specifically earmarked for any purpose, but served as a means to bring Medicaid reimbursements more in line with the actual cost of care provided to Medicaid patients.

IHA is certain that all Iowa PPS hospitals will be able to satisfy the intent of this language and will be able to demonstrate that Iowa's hospital nurses experience annual raises that far exceed any increase the state provides in Medicaid reimbursements.

Hospital leaders should be aware that this language is being characterized as a "win" for some nurse advocacy groups, organized labor and other parties; this is a misinterpretation of the language.

Without rehashing the complex details of these negotiations, hospitals should continue to express their appreciation for and value of Iowa's nurses and be able to show that annual raises are competitive when asked about this legislation.

It can further be noted that Iowa hospitals, along with IHA are committed to efforts seeking to increase pay for nurses and all other clinical staff in Iowa in order to preserve and sustain the current health care workforce.

IHA will continue to provide hospital CEOs, CFOs and Nurse Leaders with information on this legislation moving forward via IHA's Web site at www.ihaonline.org. The chart identifying past RN salary increases can already be accessed on the "government relations" section of the IHA Web site under "advocacy resources."

Contact Greg Boattenhamer (boattenhamerg@ihaonline.org), Shannon Strickler (stricklers@ihaonline.org) or Laura Malone (malonel@ihaonline.org) at IHA with questions pertaining to this legislation, or for more information on this issue.

NEWS

For Immediate Release

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January 21, 2009

Hospitals to Boost Nurse Salaries by \$30 Million ***Medicaid Losses Continue to Undermine Efforts to Increase Pay***

DES MOINES – Iowa hospitals will commit approximately \$30 million to increase hospital nurse salaries in the period between July 1, 2008 and June 30, 2009, despite a sagging economy and uncertainty regarding future changes to the Medicare and Medicaid programs.

The raises are consistent with past annual trends, according to information gathered by the Iowa Hospital Association, which collected the data to comply with a legislative directive to compare the total amount of hospital nurse salary increases with the total amount of Medicaid increases.

After two years of no Medicaid provider rate increases, the Iowa General Assembly approved a 1 percent Medicaid payment increase for hospitals last year. When coupled with matching federal funds, the 1 percent increase netted Iowa hospitals approximately \$2.3 million in new Medicaid revenue.

Prospective payment hospitals – large rural and urban hospitals directly impacted by Medicaid increases – will provide \$23 million of the total \$30 million in nurse salary increases. However, the Iowa Department of Human Services recently announced that recent across-the-board budget cut ordered by Governor Chet Culver could wipe out the

last year's modest Medicaid provider rate increase unless new Medicaid money is included in a federal economic stimulus package.

"Iowa hospitals appreciate the overdue recognition of the Legislature that Medicaid increases tie directly into a hospital's ability to pay employee salaries," said Kirk Norris, IHA president. "However, this data also clearly identifies the disparity between government programs and the increasing costs necessary to maintain a quality health care work force.

"And while hospitals understand the state's current economic difficulties, cutting Medicaid and foregoing matching federal funds that accompany the program are detrimental to Iowa's overall health care system."

Norris also pointed out that Iowa hospital nurse salary increases have averaged 4 percent annually over the two preceding years, when no new Medicaid dollars were provided by the Legislature.

IHA has joined the governor's federal lobbying efforts supporting an increase in the matching rate for Iowa's Medicaid program as part of the economic stimulus plan currently being debated. Each 1 percent increase in that federal rate would mean approximately \$26 million for Iowa, which could be used to restore Medicaid program cuts.

IHA also opposes Medicaid cuts to physician payments, partly because Iowa hospitals now employ approximately 60 percent of the physicians in Iowa. Low Medicaid payments to physicians and dentists are forcing an increasing number of these independent practitioners to stop seeing Medicaid patients altogether.

Iowa registered nurse salaries have traditionally been among the lowest in the nation, largely mirroring the fact that Iowa's Medicare and Medicaid payments are also among the nation's lowest. However, as a group Iowa hospital registered nurses do far better,

with an annual average salary now exceeding \$52,000. Results from a 2006 U.S. Bureau of Labor Statistics survey showed the average income for registered nurses is \$57,280.

“Iowa hospitals must compete in a regional and national market for high quality nurses, physicians and other clinical professionals” Norris said. “Underfunded government payment programs that make up nearly 60 percent of Iowa hospital revenue make remaining competitive that much more difficult. Although Iowa hospitals are to be commended in their support of professional compensation, finding the resources to maintain this commitment will clearly be even more difficult in the future.”

Among the additional issues impacting hospital salaries cited by IHA is the dramatic increase in hospital charity care brought about by the recent economic recession. Iowa hospitals are on track to provide nearly \$400 million in charity care this year, up 22 percent from 2008.

A study done by the U.S. Bureau of Health Professions indicates that by 2020, the need for nurses in the U.S. will grow to more than 1.7 million registered nurses, while fewer than 635,000 nurses will be available. In fact, the U.S. Department of Labor has identified registered nursing as the top occupation in terms of job growth through the year 2014. Additionally, the average age of registered nurses in Iowa is approaching 50 years, meaning many nurses can be expected to retire in the next 10 to 15 years.

In addition to increasing salaries, many Iowa hospitals offer signing bonuses, family-friendly work schedules or subsidized continuing education as a means for attracting new nurses.

The Iowa Hospital Association is the trade organization representing all of Iowa's 117 community hospitals. Iowa hospitals employ more than 72,000 people statewide and have a positive impact of more than \$5.8 billion on Iowa's overall economy. IHA's Iowa Hospital Education and Research Foundation (IHERF) has awarded more than \$340,000 to 114 scholarship winners over the past four years for nursing and other clinical specialists in an effort to keep those individuals working in Iowa's health care system.

Senate File 2425 (2008)

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